

The Financial Times of Indiana

News from the Office of Governor Frank O'Bannon

Wednesday, June 5, 2002

www.IN.gov/gov

The News in brief...

**State Tax Revenue \$110M Short in May,
bringing 11-month total loss to \$289M**

With Indiana on track to collect \$300 million less than it expected to for fiscal year 2002, Governor O'Bannon Monday appealed to lawmakers to act quickly in Special Session to correct the budget problem.

Joined by Lieutenant Governor Joe Kernan and State Budget Director Betty Cockrum at a news conference, the Governor announced details of the latest chapter in Indiana's recession-driven horror story: Revenue collection fell \$110 million short of projections for the month of May – putting the state \$289 million below where it should be for the first 11 months of FY 2002, which ends June 30.

The trend of monthly revenue collections has not been good and will likely result in a yearly total of at least \$300 million below what was forecast in November. The November forecast revised a forecast announced in April 2001 to reflect the continued recession-driven erosion of the state's revenue collections.

The continued dismal revenue news underscores the need for legislative action to resolve the budget problem and to update the state's business taxes to help Hoosiers get back to work in good jobs.

House Bill 1001ss – the bill that seeks that legislative action – is to be debated today on the House floor.

"I want to say, as strongly as I can say, that a bill that addresses these problems must pass the House," the Governor said Monday.

"Let me tell you, folks, if this isn't the kick in the head that causes lawmakers to act now, I don't know what is."

What Others Are Saying

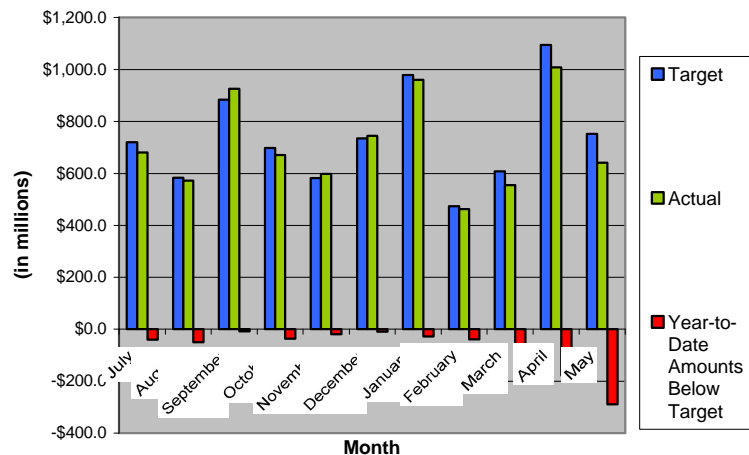
"Hoosiers saw enough of this party-line posturing during the regular session. The numbers, once again, say it's time to strip party labels, replace them with a common badge that says Indiana comes first and then get the job done."

Lafayette Journal and Courier 6-4-02

"Legislators must confront what is important to Hoosiers and what is best for the state's future whether there is an election in their future or not... The Indiana General Assembly has a second chance to act. What is the point in waiting?"

Johnson County Daily Journal Editorial, 6-1-02

FY 2002 Revenue (First 11 Months)



What A Difference \$300 Million Can Make

Here's a look at what \$300 million – Indiana's anticipated loss in revenue for fiscal year 2002 – could pay for:

8,571 teachers (average salary of \$35,000/year)

8,108 Indiana State Police troopers (average salary of \$37,000/year)

12 years of funding (\$25 M p/year) for the **21st Century Research and Technology Fund** (the high-tech, high-pay job creation program that was eliminated after no budget remedy in the regular legislative session)

1 month's worth of state public school funding

6 month's worth of keeping prisons open

Helping **41,400 seniors** stay in their own homes rather than in nursing homes or other type of managed care

Health insurance for **200,100 children** whose parents work but cannot afford insurance and don't have it through work

Day-care for **90,000 children** of the **working poor**

Help paying for necessary **prescription medicine** for **109,200 low-income elderly Hoosiers**

2 years worth of state assistance to Indiana State University, University of Southern Indiana and Vincennes University

2 years worth of financial aid for Hoosier students' higher education



Budget News From Around the Nation

In a June 3 report, the National Governor's Association shows "a sharp decline in income tax receipts during the first quarter of the year and a rise in the amount of refunds taxpayers are seeking are causing further stress to already battered state budgets... state policy makers should "expect continued stress as they attempt to develop balanced spending plan in fiscal years 2003 and 2004 even if the economy continues the upturn reported for the first quarter." The full story: <http://www.nga.org/nga/FiscalCrisis>

For more information, contact Cheryl Reed or John Zody at 317-232-1012